NAVSUP
NAVAL SUPPLY SYSTEMS COMMAND

Naval Inventory Control Point
"The Navy ILCO"
for

Security Assistance Executive Conference
New Orleans, Louisiana
24 January 2007
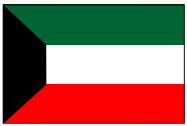
Ready. Resourceful. Responsive!

CAPT Daniel Palko, SC, USN
Deputy Commander for
International Programs

Naval Inventory Control Point

➡ *Who We Are*

- *What We Do*

- *Initiatives*

- *Wrap Up*

Who We Are:
Security Cooperation
US Navy Organization

NAVSUP
Naval Inventory Control Point

Key Stakeholders
- *Defense Security Cooperation Agency (DSCA)*
- *Chief of Naval Operations*
- *Commandant, Marine Corps*
- *COCOMs*
- *Industry*

Secretary of the Navy

ASN RD&A

DASN IP

Navy International Programs Office

Naval Air Systems	Naval Supply Systems	Naval Sea Systems	Space & Naval Warfare Systems	Naval Education & Training	US Coast Guard

AIR 1.4

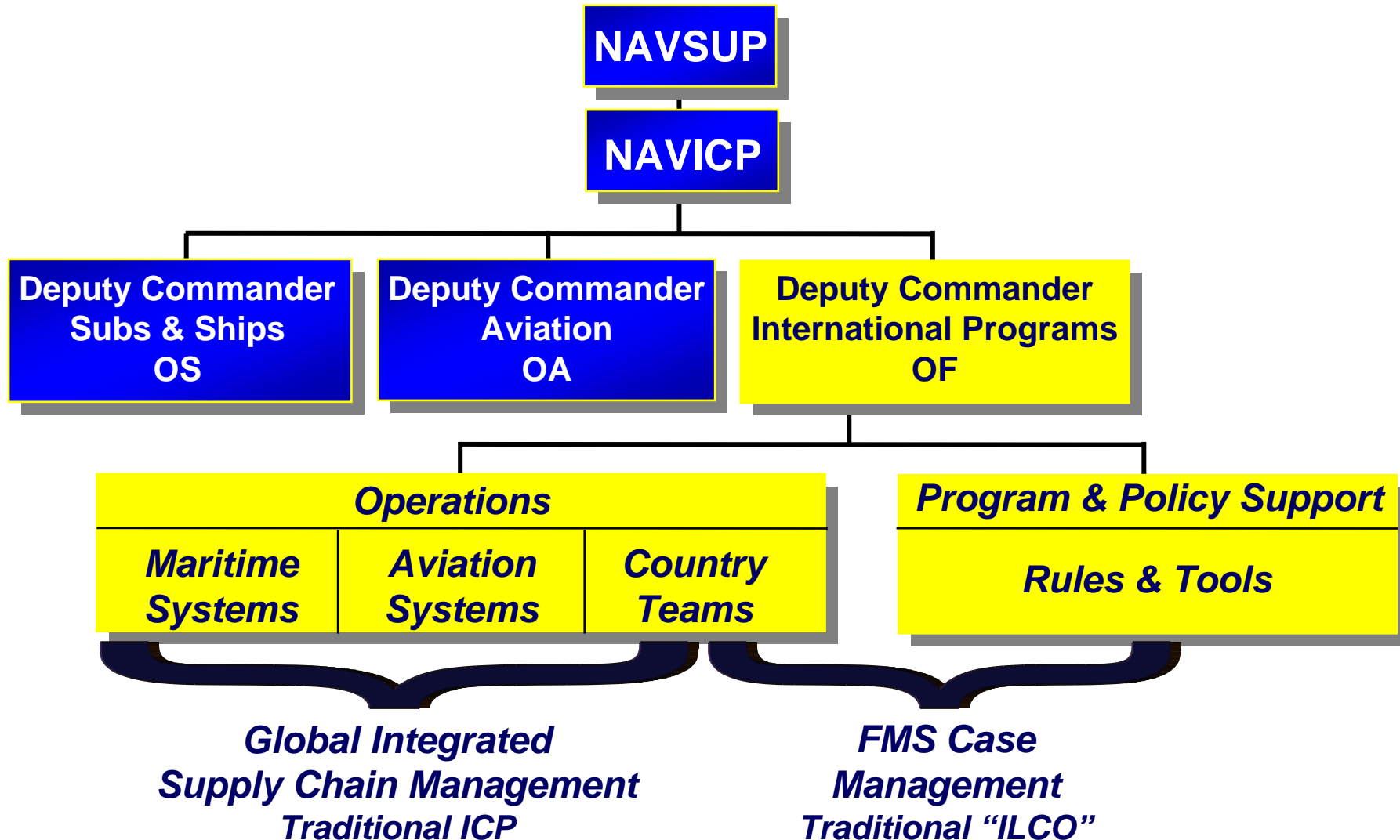*SEA 63*

PEO C41

Naval Inventory Control Point
(Code OF)

Naval Education & Training Security Assistance Field Activity

┅┅┅ **FMS Funding & Direction**

Who We Are:
NAVICP FMS Organization

Naval Inventory Control Point

NAVSUP

NAVICP

Deputy Commander Subs & Ships OS

Deputy Commander Aviation OA

Deputy Commander International Programs OF

Operations

| Maritime Systems | Aviation Systems | Country Teams |

Program & Policy Support

Rules & Tools

Global Integrated Supply Chain Management Traditional ICP

FMS Case Management Traditional "ILCO"

Agenda

- *Who We Are*

➡ *What We Do*

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FMS Case Business Management
"Keeping Book"

- *Management Information System for International Logistics (MISIL)*
- *"Case" Life Cycle Management and Reconciliation Reviews*
- *Navy "Transaction" Data Integrity*

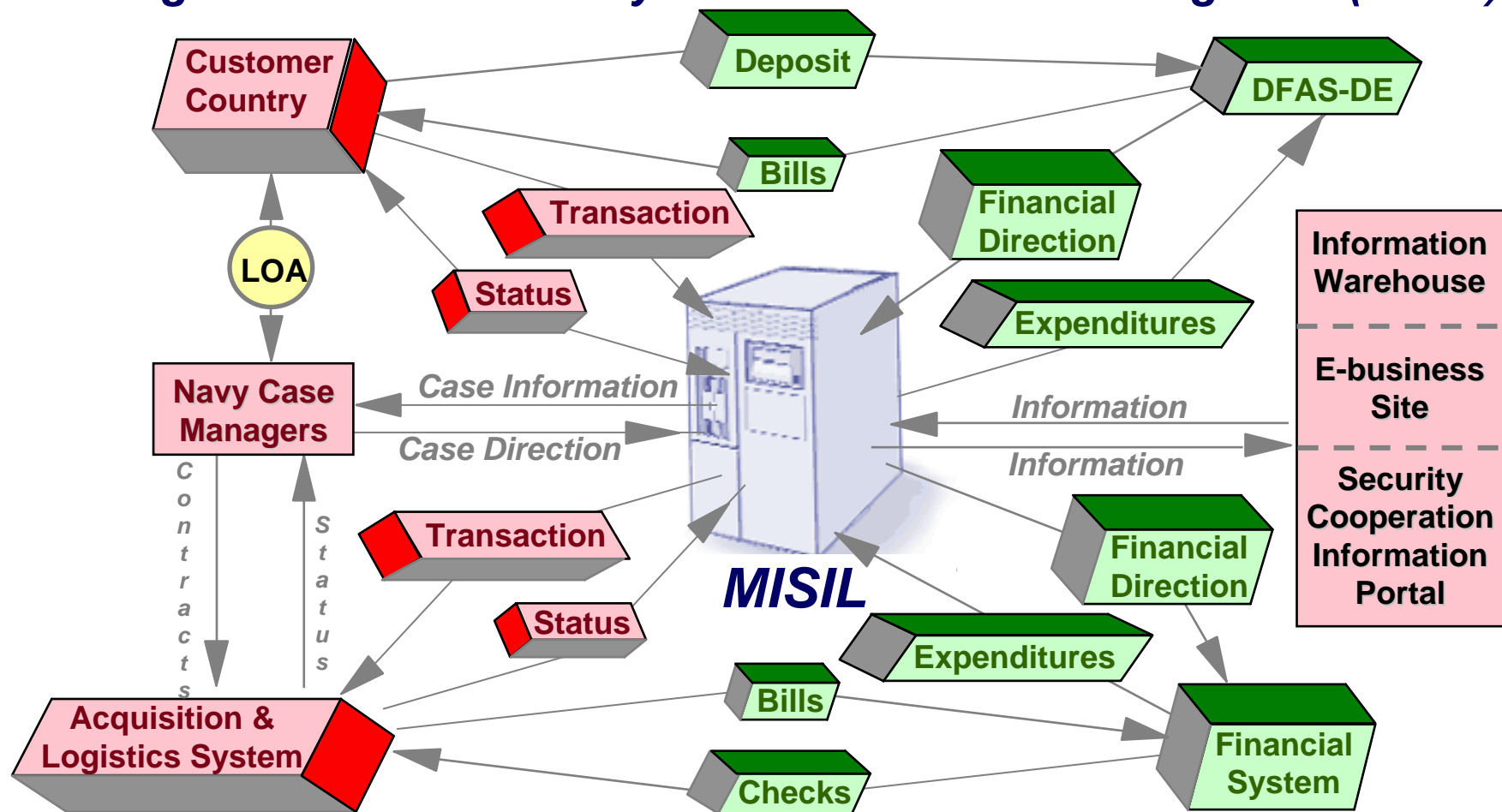## Integrated Supply Management
"Supply Chain Integrator"

- *Initial ILS Planning*
- *Initial Allowance/Outfitting*
- *Follow On Supply Support Cases*
- *Repairables Management*
- *Supply Chain Solutions*
- *Performance Based Logistics*

Two Vital Roles!

Management Information System for International Logistics (MISIL)

What We Do:
FMS Case Business Management
Navy Portfolio

DON FMS Sales Worldwide

Billions

Bar chart — DON FMS Sales Worldwide (Billions): FY02 ≈ $3.5, FY03 ≈ $3.3, FY04 ≈ $3.5, FY05 ≈ $3.0, FY06 ≈ $4.7
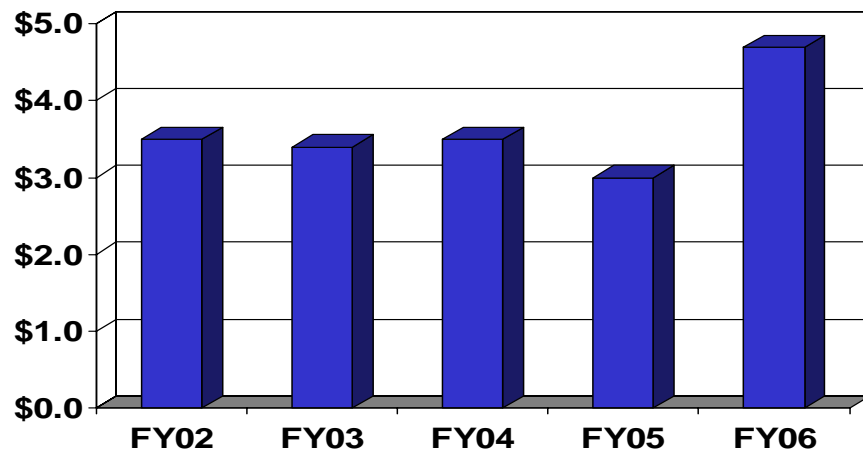
Total Navy Portfolio

TOTAL = 4,067 CASES

Pie chart — Cases: NAVAIR 1,165; NAVSUP 884; NAVSEA 1,064; SPAWAR 288; IPO 138; NETSAFA 379; MARCORP 82; OTHER 56

TOTAL = $58.7B

Pie chart — Value: NAVAIR $20.8; NAVSUP $3.4; NAVSEA $19.8; SPAWAR $3.0; IPO $2.5; NETSAFA $1.1; MARCORP $0.9; OTHER $7.2
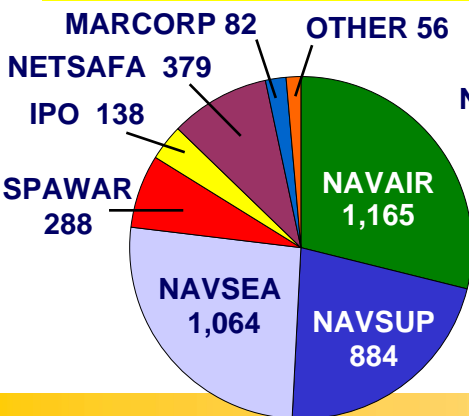
TOTAL = 4,067 CASES

TOTAL = $58.7B
(Net Case Value)
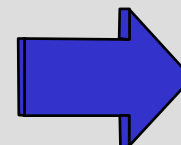
- **82% of Cases In Execution (3,349)**

  - **$49.1B Value Open**
    - **$36.0B Expended**
    - **$4.4B Work In Process**
    - **$8.7B New Work**

- **16% of Cases Supply & Services Complete (SSC) (661)**
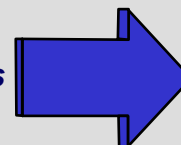
  - **$8.1B SSC**

- **2% of Cases at DFAS Pending Closure (57)**

  - **<$1.5B at DFAS Pending Closure**

8

Naval Inventory Control Point

Case Development & Implementation	Case Execution	Case Closure

• **Navy Delegated Authority for Blanket Order Cases**
 	
• **Average Processing Time 63 Days**
 	
• **Less cases! "Omnibus"**
 	
• **Determine Impact of Consolidated Case Writing Organization**
	• **Managing Data Integrity through the Critical Path**
	   • **Acquisition, Logistics, Financial Progression**
	   • **Cost and Schedule**
	   • **Metrics That Matter**
	
	• **Case Execution Performance Tool (CEPT)**
	   • **Do Today's Business Today!**
		• **Event Not A Process!**
		
		• **Target Time from Supply Service Complete to "Final" Closure**
		(Is execution getting better?)

Navy Integrated Closure – Execution Team

- **Case Reconciliation Reviews (CRRs):**

  - *10-15 Held Annually At NAVICP*

  - *Executive Agent for Navy IPO*

  - *Detailed Case Reconciliation*

  - *Accurate & Current Case Data*

  - *"Balancing The Checkbook"*

  - *Target Business Process Improvements*

- **Other Reviews:**

  - *Financial Management Reviews (FMRs)*

  - *Program Management Reviews (PMRs)*

  - *Security Assistance & Follow-On Supply Support Reviews*

Naval Inventory Control Point

2,200+ International Aircraft Supported

- F/A-18…7 Countries
- P-3 & E-2…Mature Operational Programs
- Helos Vibrant Part of Market
- A-4 & A-7…Legacy Platforms
- V-22 & F-35…Next Generation Systems

600+ International Ships Supported

- Aegis Weapon System…3 Countries
- Ships Transfer Paces Surface Business…16 Countries
- CIWS…Leading Surface System Seller…23 Countries
- US Coast Guard Market
- LCS Generating Significant Interest

Missile Systems Robust Part of Business

- Sparrow…14 Countries
- Sea Sparrow…11 Countries
- Sidewinder…23 Countries
- HARPOON…28 Countries

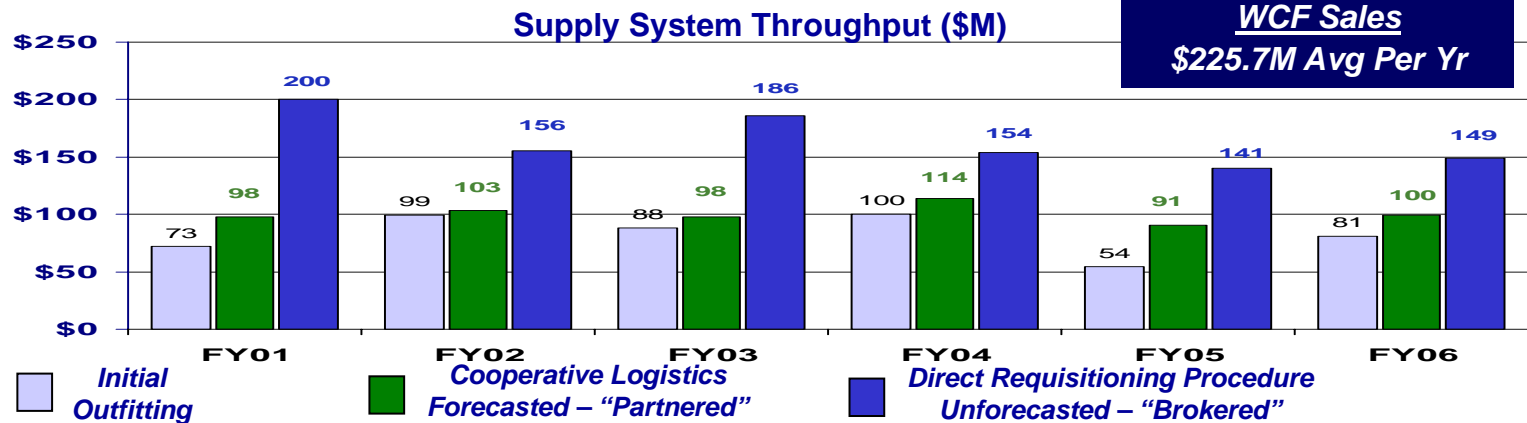**Rationalization, Standardization, Interoperability … Win-Win!**

What We Do:
Integrated Supply Management

Same Two Levels of Support!

Customer Readiness

Shipboard / Planeside Response In-Country "Push"

- **Site Allowance**
- **I/O/D level Maintenance**

Supply System Response Country "Pull"

- **New Procurement**
- **Depot Repair**

"Total Package Approach" FMS Case Fully Funded

Material Orders
$342.8M Avg Per Yr
WCF Sales
$225.7M Avg Per Yr

Supply System Throughput ($M)

	FY01	FY02	FY03	FY04	FY05	FY06
Initial Outfitting	73	99	88	100	54	81
Cooperative Logistics Forecasted – "Partnered"	98	103	98	114	91	100
Direct Requisitioning Procedure Unforecasted – "Brokered"	200	156	186	154	141	149

Initial Outfitting

Cooperative Logistics Forecasted – "Partnered"

Direct Requisitioning Procedure Unforecasted – "Brokered"

Concept/ "Sale" — *Start Up* — Initial Operational Capability — *Replenishment* — End of Svc Life (US) — *Sustainment Challenge* — End of Svc Life (Intl)

What We Do:
Security Assistance Foreign Representatives (SAFRs)

Australia
AF – 3
Navy - 1

Canada
AF – 2

Chile
Navy - 1

Egypt
AF – 1
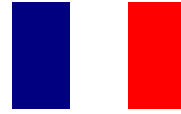
France
Navy - 1

Greece
Navy - 2

Israel
AF -- 1
Navy - 1

Italy
Navy - 3

19 Countries

41 Personnel
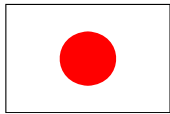
Japan
Navy – 3
AF - 1
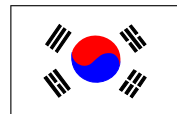
Korea
Navy - 1

50 year legacy

Professional & personal growth opportunity

Kuwait
AF – 1

Netherlands
Navy - 2

Part of the team

Pakistan
Navy - 2

Portugal
Navy - 2

Saudi Arabia
Navy - 3

Spain
AF – 2
Navy - 2

Taiwan
AF – 1
Navy - 1

Turkey
Navy - 1

UK
AF – 2
Navy - 1

Agenda

- *Who We Are*

- *What We Do*

➡ *Initiatives*

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What: *IT Enhancements*

Why: *Process improvements … data integrity!*
Automation savings
Customer relationship

How: *MISIL* ➝ *Info Warehouse* ➝ *E-business*

Results: *Success! … Evolutionary … Customer buy-in … Positioned for continued growth (SCIP, CEMIS, Navy Enterprise Resource Planning)*

What: *Process Improvement*

Why: *Address costs; eliminate waste and variance; attack touch labor associated with data integrity*

How: *"Follow the money" within products and services … ABMS insight to processes and sub-processes costs*

Results: *Encouraging! … Exception processing; non-standard procurement; case direction*
Two certified Blackbelts … Investing in more

What: Logistics Transformation … Supply Chain Management .

Why: Readiness … Cost of ownership

How: Shift from inventory management to supplier management

Results: Impressive! … Portends fundamental shift in FMS business model toward more cooperative forecasted support methodologies vice inventory shopping

What: **Customer-Supplier Relations & Communications**

Why: **DLA range and scope of operations**

How: **Regular meetings between DLA & NAVICP … Discussion of significant issues of concern to customers … Performance metrics**

Results: **Successful and satisfying! … Process transparency … BSM evolution … Partnered on mutual interests (EMALL, etc.) … DLA rep at NAVICP**

What: **Improve Asset Visibility & Material Availability …**
Tri-Service Initiative

Why: **Customer self-sufficiency … Improved material range**

How: **Access to catalogs and non-standard material … Reduce procurements … Full FMS access through SCIP for research, ordering & visibility … Legacy system validation**

Results: **Encouraging! … Access in 2007 … Improvement over WEBCATS/Weblink International … Single sign-on … One stop shopping**

What: Point-to-Point Tracking System for FMS Shipments

Why: Improve end-to-end visibility of shipments … Reduce SDRs and frustrated material

How: Web integration tools create integrated shipment tracking system … Start with DTS … Can grow from there!

Results: Encouraging! … Pilot approved … Excellent carrier cooperation … High country interest … Good ROI (SDRs)

What: Non-standard FMS Commercial Buying Service

Why: Standardize the process … Leverage PROS success

How: Stand down Navy unique process … Eliminate non-core work with FMS Admin avoidance/savings

Results: Satisfying! … Great partnering with USAF … Performance metrics encouraging … Fully primed pipe effective July 2006

Naval Inventory Control Point

What: **Improve & Consolidate Repair of Repairable (ROR) support for USN FMS customers**

Why: **Current system is labor intensive with multiple inputs and data integrity issues ... Poor transparency and asset visibility**

How: **Improved access, visibility and procedures … Automation of manual processes … Data integrity validation**

Results: **Encouraging! … Visibility and processes improving … Automation next step**

Initiatives:
People

What: **Reshape the Workforce**

Why: *Average age – 52 … Average years of FMS experience – 20+ … New demands – new skills … More analytical, less clerk*

How: *Personnel down 60% from FY95 base*
Leverage Navy SIP-VERA authority

Results: *1:2 strategy as budget dictates*
7-9-11 recruitments
Eight new hires in FY07

Naval Inventory Control Point

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➡ *Wrap Up*

Wrap Up

Navy Security Assistance Data Center

Global Integrated Supply System Interface

Partnered With SYSCOM & Other Stakeholders

Customer Focused

Vibrant, Flexible, & Evolving